

ORIGINAL

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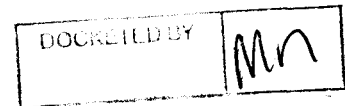
October 29, 2008

By Hand Delivery

Blessing N. Chukwu
Executive Consultant III
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2927

Arizona Corporation Commission
DOCKETED

OCT 29 2008



Re: Cross Creek Ranch Water Company – Application for Transfer of Sale of Assets and Cancellation of Certificate of Convenience and Necessity (CC&N) to Cross Creek Ranch Community Association Docket Nos. W-04131A-08-0471 and W-20619A-08-0471: **Response to Letter of Insufficiency**

Dear Ms. Chukwu:

I am in receipt of your letter of insufficiency dated October 7, 2008, concerning the above-referenced matter. Please accept this letter and the responses contained herein as Cross Creek Ranch Water Company's ("Company") response to your letter of insufficiency. Each request for information is addressed separately below:

1. *Please provide the address, and telephone number of Cross Creek Ranch Community Association.*

RESPONSE:

Paul Claus, President
Cross Creek Ranch Community Association
395 Cross Creek Circle
Sedona, Arizona 86336
(928) 282-9271

2. *Please provide the name, address, and telephone number of Cross Creek Ranch Community Association's Representative.*

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RESPONSE: The Community Association's ("HOA") management representative is:

Paul Frieder
HOAMCO
6586 Hwy 179, Ste C-1
Sedona, Arizona 86336
(928) 282-4479 (tel)
(928) 203-0500 (fax)

3. *Please provide a copy of the most recent Letter of Good Standing issued by the Corporations Division of the Arizona Corporation Commission to Cross Creek Ranch Water Company.*

RESPONSE: Please see the Company's Certificate of Good Standing, dated October 15, 2008, enclosed herein as **Attachment 1**.

4. *Please provide the name and ADEQ certification number of the person who will be the certified operator of the water system upon the completion of the transfer.*

RESPONSE: The ADEQ certified operator for the water system will not change upon completion of the transfer of assets from the Company to the HOA. The current certified operator is Steve Burnett, ADEQ Operator Number # 02794. Mr. Burnett is the owner of:

Steve Burnett Enterprises, Inc.
P.O. Box 3890
Sedona, AZ 86340
Phone: (928) 203-9320
Fax: (928) 203-9321

5. *Describe any change to the operation and maintenance of the system that will occur if the proposed transfer is approved.*

RESPONSE: There will be no initial change in the operation and maintenance of the system if the proposed transfer is approved. The HOA will continue to operate the system as a community water system, and continue monthly monitoring even though not currently required by ADEQ to perform such water quality tests because of the small number of customers connected to the water system. Once there are enough customers to qualify the system as a public water system, the HOA intends to comply with all other applicable ADEQ rules and regulations.

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6. *Describe any benefits that will be realized by customers if the proposed transfer is approved.*

RESPONSE: The HOA already provides service to its members indirectly through the Company. However, because the Company's current rates and charges were fixed based on the assumption that 84 customers would be served by 2008, the Company continues to operate at a loss due to the low number of actual customers, which is about 14. Although each member is charged the standard monthly rate, this alone is not enough to cover the Company's operating expenses. Included in the original rate structure was a commodity charge based on estimated usage. Since the system is currently serving approximately 17% of the number of customers originally projected by the original developer to be connected to the system in 2008, there is a lack of commodity-driven revenue for the Company. As a non-profit organization, the HOA does not seek to earn a rate of return on any investment, or make profit as a shareholder. The HOA's only interest is to provide its members with water service at cost. The HOA expects that costs related to system operation, repair and water quality assurances will not change. However, the HOA's ability to flexibly manage its affairs with respect to water service and charges to meet its members' needs will result in a reduction of operating costs (i.e. management costs), including but not limited to accounting services and legal costs incurred by public service corporations.

7. *When does the Company expect to serve 15 connections and receive its designation as a public water system?*

RESPONSE: Approximately sometime in 2010.

8. *Provide a complete listing of the water company's assets. On the list provided indicate those assets if there are any that would not be transferred to the Association.*

RESPONSE: A list of the Company's current assets is enclosed herein as **Exhibit A**.

9. *Have all customer security deposits been refunded? If no, please describe the proposed disposition of security deposit.*

RESPONSE: No. There are a total of eight (8) deposits, each for \$120, that have not been refunded to customers. The water company intends to refund the deposits upon the Commission's approval of the application to transfer assets from the water company to the HOA. However, the water company will adhere to any Commission provisions on how the refunds should be made as part of any approval to transfer the Company's assets.

10. *Are there any refunds due on Main Extension Agreements ("MXA")? If yes, please describe the proposed disposition of refunds and the method of refunding.*

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RESPONSE: The Company has never entered into a main extension agreement under current management, and serves only its HOA members. There is no intention to extend water service outside the Cross Creek Ranch subdivision.

11. *Will Cross Creek Ranch Community Association assume the refunding obligations in accordance with the terms of the MXA? Please explain.*

RESPONSE: The Company has no existing line extension agreements, and hence no refund obligations at this time.

12. *Are there any refunds due on meter and service line installations? If yes, please explain the proposed disposition of refunds.*

RESPONSE: There were a total of thirteen (13) meter deposits paid at \$660.00 each, none of which have been refunded. The balanced owed to HOA members totals \$8,580.00.

If you have further questions, please do not hesitate to contact me at your earliest convenience. Thank you for your time and consideration in this matter.

Sincerely,



Patrick J. Black

cc: Docket Control
Paul Frieder
Ed Hanley

Cross Creek Ranch
Water System Inventory List
October 27, 2008

85	1" water services
1	2" water service
686'	2" water line, Sch 40 PVC
13878'	8" water line, C-900 CL 200
6	blow-off valves
1	Olympian model D200P4 diesel generator
1	250,000 gallon storage tank
27	fire hydrants
1	18' x 20'-8" building (for housing pump skid and generator)
16	1-inch meters.
	Booster Pump Skid:
1	2HP booster pump
2	10HP booster pumps
1	75HP booster pump
1	168 gal. Pressure tank and piping
1	VFD controller